UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Suedeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Colorado Interstate Gas Company   Docket No. RP07-476-000

ORDER ACCEPTING TARIFF SHEETS

(Issued July 6, 2007)

1. On June 5, 2007, Colorado Interstate Gas Company (CIG) filed tariff sheets[1] addressing receipt-to-delivery balancing of scheduled nominations during times of system constraints. CIG requests that the tariff sheets become effective July 7, 2007. Tenaska Marketing Ventures (Tenaska) protested the filing, disputing CIG's contention that it must be able to apply Scheduled Imbalance Penalties (SIP) more freely to deter shippers from creating imbalances. As discussed below, the Commission accepts the tariff sheets to become effective July 7, 2007.

Background and Description of the Filing

2. CIG states that it is a key transporter in the Rocky Mountain region and that it is connected to most major supply basins in the Rocky Mountains as well as production areas in the Texas Panhandle, western Oklahoma, and western Kansas. CIG states that the delivery locations in the central portion of its system include significant end-use markets along the Front Range from Cheyenne, Wyoming, to Raton, New Mexico. CIG states that it also makes deliveries for downstream off-system transportation at the ends of the system. CIG maintains that its considerable storage capacity affords it operating options so that it can allow its shippers some imbalance flexibility.

3. CIG explains that, because of operational balancing agreements and no-notice and delivery point swing service, most shipper imbalances are the result of differences between a shipper's scheduled receipt quantities and its scheduled delivery quantities

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[1] FERC Gas Tariff, First Revised Volume No. 1
Fifth Revised Sheet No. 180
Original Sheet No. 180A
Twelfth Revised Sheet No. 282
Original Revised Sheet No. 282A
Third Revised Sheet No. 319

(Scheduling Imbalances). CIG states that such imbalances occur when a receipt or delivery point operator confirms less than the shipper has nominated and that reduction is not matched at the other end of the nominated transaction. According to CIG, shippers who incur Scheduling Imbalances above a specified tolerance level are subject to the SIP[2] unless they have elected to use Rate Schedule APAL-1 Automatic Park and Loan (APAL) service or the pipeline's Confirmation Balancing process.

APAL Service

4. CIG explains that its APAL service provides a method for shippers to consolidate and resolve their Scheduling Imbalances and avoid application of the SIP. CIG points out that, by using APAL, a shipper generally pays a lesser charge for daily and cumulative Scheduled Imbalances that it otherwise would pay if it were subject to the SIP charge.[3]

5. CIG describes APAL as an interruptible imbalance management service that (1) accommodates shipper imbalances that are a result of confirmation reductions, (2) aggregates all shipper imbalances to a net system imbalance, (3) supports the resolution of such imbalances, and (4) permits the shipper to avoid the assessment of the SIP. CIG contends that, at the time it implemented the APAL service, it believed that it could allow shippers to create minor imbalances during the scheduling process with minimal operational impact. However, CIG states that, since that time, market demands, particularly across the northern portion of its system, have shifted, and it is not always able to absorb Scheduled Imbalance quantities without operational impact and possible detriment to other shippers.

6. In these situations, CIG states that its current tariff permits the suspension or interruption of APAL.[4] However, CIG proposes to revise its tariff to provide that it will post a notice on its electronic bulletin board (EBB) outlining the circumstances for an interruption of APAL service so that customers will have time to align their market and supply. CIG states that the notice will be posted prior to the Timely Cycle nomination deadline to be effective for that Gas Day. CIG also states that it will post a notice when

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[2] CIG states that SIPs are assessed on Scheduling Imbalance quantities in excess of a five-percent safe harbor tolerance at a rate equal to the interruptible Rate Schedule T-1 commodity rate. CIG cites section 7.12 of the General Terms and Conditions (GT&C) of its tariff.

[3] CIG states that APAL rates are structured to discourage cumulative imbalances.

[4] CIG cites Rate Schedule APAL-1, Section 2.1. Subsection (a) states that "Automatic Parking and Lending Service is subject to interruption at any time and such interruptions may be in effect for extended periods of time."

APAL will become available following the resolution of the operational issues that caused the suspension.

Confirmation Balancing

7. CIG states that it offers Confirmation Balancing as another option for its shippers. CIG describes this as an automated scheduling process that balances shipper nominations based on upstream and downstream confirmations that are received before the confirmation deadline. According to CIG, Confirmation Balancing avoids most Scheduling Imbalances because it schedules the lesser of the: (1) shipper's nominated quantity; (2) upstream receipt point operator's confirmed quantity; or (3) downstream delivery point operator's confirmed quantity.

8. CIG states that, under its current tariff, the only restriction on a shipper's election to be exempt from Confirmation Balancing is that the option may not be available during Strained Operating Conditions and Critical Operating Conditions (SOC/COCs).[5] However, CIG maintains that current operating conditions require additional limitations.

9. CIG states that shippers that wish to manage their own Scheduling Imbalances may choose to be exempt from the Confirmation Balancing process through a request to the pipeline made prior to the Timely Cycle nomination deadline on any day to be effective for that Gas Day. When a shipper makes this election, CIG explains that the shipper's nominations are not balanced between receipt and delivery points during the scheduling process, and that Scheduling Imbalances can occur, affecting pipeline operations and/or service to other shippers when large or long-standing imbalances are created or such imbalances involve system constraints. Therefore, CIG also proposes to revise its tariff to provide that, during periods when it is unable to accommodate shipper imbalances without causing adverse impacts to its pipeline/storage operations or other shippers, it will require receipts and/or deliveries at the affected locations to be balanced to the maximum extent possible by suspending the shippers' option to be exempted from the Confirmation Balancing process. In such situations, CIG states that it will post a notice on its EBB prior to the Evening Nomination Cycle nomination deadline to be effective for the next Gas Day. CIG states that the notice will indicate the circumstances requiring balancing, the areas or pipeline segments/locations affected, and an estimated time period during which Confirmation Balancing exemptions will not be permitted. CIG states that it will also post a related notice indicating when shippers can once again request to be exempted from the Confirmation Balancing process. CIG maintains that this will allow it to minimize the effect of excessive imbalances on pipeline operations without having to issue an SOC/COC.

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[5] CIG cites section 5.7 of the GT&C of its tariff.

Scheduled Imbalance Penalty

10. CIG reiterates that the SIP functions as a deterrent to creating excessive Scheduled Imbalances that would negatively affect system operations or other shippers. CIG states that its tariff currently provides for the suspension of SIP charges when APAL is suspended; however, CIG proposes to remove this automatic suspension. CIG maintains that, without the incentive of the SIP, it has no means of encouraging shippers to balance scheduled receipt and delivery quantities.[6]

Notice, Interventions, Protest, and Answer

11. Notice of CIG's filing was issued on June 8, 2007. Interventions and protests were due as provided in section 154.210 of the Commission's regulations.[7] Pursuant to Rule 214,[8] all timely filed motions to intervene and any motions to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt this proceeding or place additional burdens on existing parties. Tenaska filed a protest.

12. CIG filed an answer to the protest. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure[9] prohibits an answer to a protest unless otherwise ordered by the decisional authority. The Commission will accept CIG's answer because it has provided additional information that assisted the Commission in its decision-making process.

Tenaska's Protest

13. Tenaska expresses concern that CIG's filing is an attempt to impose excessive penalties on its shippers to create a revenue source, and Tenaska asks the Commission to reject it. According to Tenaska, the CIG system recently has been "looped" by the construction of the Rockies Express system; therefore, Tenaska contends that CIG's concerns over constrained capacity are unfounded. Tenaska further maintains that CIG has ample storage capacity that would allow it to address any balancing needs on its system. Tenaska argues that CIG typically does not provide services such as authorized

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[6] CIG states that, when APAL is suspended, it will evaluate the need to assess an SIP on a case-by-case basis in a not unduly discriminatory manner and determine whether the SIP will also be suspended. Section 7.15 of the GT&C of CIG's tariff.

[7] 18 C.F.R. § 385.210 (2006).

[8] 18 C.F.R. § 385.214 (2006).

[9] 18 C.F.R. § 385.213(a)(2) (2006).

overruns and park and loan, so that imbalances on the system should not blamed as the cause of the pipeline's inability to provide such services. Tenaska asserts that CIG currently has the ability to remedy any imbalances by suspending the availability of APAL service and by using Confirmation Balancing, which make scheduled receipts equal scheduled deliveries. Tenaska claims that the Commission does not favor penalties and encourages pipelines to remove the financial incentives of penalties and develop non-penalty mechanisms to induce compliance. Finally, Tenaksa points out that, while CIG states that increased reliance on notices posted on its EBB will minimize the effects of imbalances, the pipeline currently does not post any of the meters associated with Front Range deliveries, where most imbalances occur.

CIG's Answer

14. CIG responds that its ability to move gas to and from the western portion of its system from/to the eastern portion has been subject to frequent constraints for some time, despite the startup of the Rockies Express system earlier this year.[10] CIG emphasizes that this system is owned and operated by a third party, and it is not part of the CIG system. While CIG agrees that the availability of storage capacity is helpful in managing storage imbalances, it contends that, when transportation from the source of an imbalance and the storage fields is constrained, the storage capacity may not be available to absorb the imbalances.

15. CIG disputes the contention that it is attempting to create a revenue source. It repeats that its goal is to give shippers an incentive to provide more accurate nominations during times of constraint. CIG emphasizes that it has no incentive to increase SIP revenues because it is required to credit back to its shippers all penalty revenues, including SIP revenues.[11]

16. CIG also disputes the claim that it is seeking to suspend the availability of APAL service, thereby permitting imbalances to occur and persist, and then to penalize the shippers. CIG emphasizes that it currently has the ability to suspend APAL service, but that does not eliminate the imbalances. Further, CIG points out that suspension of APAL will not increase the size or duration of any imbalances. CIG explains that, when operational circumstances require balancing and APAL is suspended, the imbalance is charged at the SIP rate rather than the APAL rate.[12]

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[10] CIG attaches Exhibit A to its answer listing periods of constraint on its system.

[11] CIG cites section 7.13 of the GT&C of its tariff.

[12] CIG cites section 2.1 of Rate Schedule APAL-1 of its tariff.

17. CIG states that Confirmation Balancing causes scheduled receipts to equal scheduled deliveries. CIG maintains that this is a common industry practice and is supported by the current NAESB scheduling standards. CIG also explains that Confirmation Balancing may be implemented whether a shipper has an APAL contract or not.

18. CIG reiterates that its current tariff does not provide it with sufficient authority to manage Scheduling Imbalances prior to the declaration of an SOC/COC. CIG maintains that the authority it seeks is preferable to forcing it to declare SOCs/COCs, which should be reserved for unusual circumstances.

19. CIG argues that the services it provides rely on the flexibility available from system linepack and storage, which may be limited unless it secures additional tools to address Scheduled Imbalances. CIG contends that the Commission has made it clear that pipelines are not required to wait until reliable service is actually impaired before taking action to prevent such problems.[13]

20. Finally, CIG challenges the claim that most imbalances occur along the Colorado Front Range, where Tenaska claims that CIG does not post any of the meters. First, CIG states that the system constraints prompting its filing generally occur closer to the supply areas, not within the Front Range market areas. However, in any event, Scheduled Imbalances may adversely affect service to other shippers, including the Front Range no-notice shippers, and CIG requires reasonable tools to prevent that from happening. Further, CIG states that it does post information identifying its available capacity.

Commission Analysis

21. The Commission will accept the tariff sheets listed in footnote number 1 above to be effective July 7, 2007. The Commission finds that CIG has demonstrated that the authority it seeks is a just and reasonable means for maintaining the integrity of its system when it incurs operational constraints.

22. The Commission agrees with CIG's response to Tenaska. First, CIG clarifies that it does not own or operate the Rockies Express system and that the two systems are not operated as a single entity. CIG also points out that, even with its ample storage capacity, constraints can and do occur between the storage fields and various points along the pipeline system. CIG further explains that its filing does not represent an effort to increase its revenues because penalties must be credited back to its shippers.

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[13] CIG cites *Columbia Gas Transmission Corp.*, 119 FERC ¶ 61,267, at P 26-27 (2007) (*Columbia*).

23. In Order No. 637, among other things, the Commission sought to limit the use of penalties to situations of adverse impacts to other shippers or operational impacts to the pipeline system. Further, the Commission required pipelines to propose penalties that corresponded to the behavior they sought to eliminate and further required that pipelines give advance notice of operational issues where penalties would be applicable. The Commission also required pipelines to credit penalty revenues to eliminate the incentive to increase revenues. CIG's proposed tariff modifications meet these criteria. Further, the proposed tariff changes are consistent with CIG's current ability to interrupt the flexible APAL service and Confirmation Balancing process when interruption preserves the operational reliability of the system.

24. The Commission finds that CIG's proposal is a reasonable effort to provide its shippers an incentive to ensure that their receipts and deliveries are in balance during periods of constraint on the system. The Commission favors such incentives as a means of discouraging shipper actions before serious conditions develop that would impair a pipeline's operations.[14]

25. Accordingly, the Commission will accept the tariff sheets listed in footnote number 1 above, to be effective July 7, 2007.

<u>The Commission orders:</u>

The tariff sheets listed in footnote number 1 of this order are accepted to be effective July 7, 2007.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

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[14] *Columbia Gas Transmission Corp.*, 119 FERC ¶ 61,267 at P 26-27 (2007) ("[I]t is not necessary for pipelines to demonstrate actual harm, and it is entirely appropriate to anticipate problems and take action to forestall them prior to such problems occurring." (footnote omitted)).